

Department of Finance Canada

Departmental Performance Report

**For the period ending
March 31, 2001**

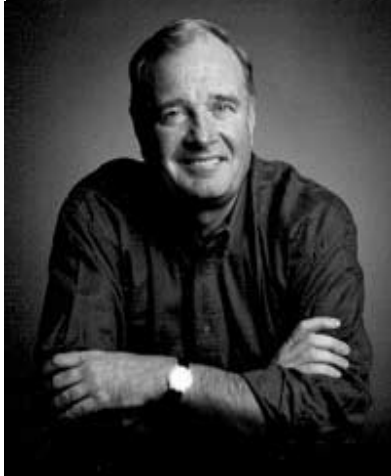


Paul Martin
Minister of Finance

Table of Contents

Section I:	Minister's Message	1
Section II:	Departmental Overview	3
	1. Mandate, Mission and Client Groups	3
	2. Factors Influencing the Department	5
Section III:	Departmental Performance	7
	1. Planned Results and Chart of Strategic Outcomes	7
	2. Performance Accomplishments	10
	A. Fiscal Sustainability	11
	A.1 Context and Background	11
	A.2 Outcomes Achieved.....	12
	B. The Knowledge-based Economy.....	17
	B.1 Context and Background	17
	B.2 Outcomes Achieved.....	18
	C. Social Advantage for Canada	20
	C.1 Context and Background	20
	C.2 Outcomes Achieved.....	20
	D. Global Advantage for Canada	25
	D.1 Context and Background	25
	D.2 Outcomes Achieved.....	25
Annex A:	Legislative and Regulatory Initiatives	29
Annex B:	Sustainable Development	35
Annex C:	Financial Performance	39
	Overview	39
	Financial Tables.....	40
Annex D:	Crosswalk – Planned Results	49
Annex E:	Departmental Organization	55
Annex F:	Other Information	59
	Contacts for Further Information and Web Sites	59
	Legislation Relevant to the Department of Finance Canada.....	60
	List of Statutory Annual Reports and Other Departmental Reports	62

Section I: Minister's Message



The Honourable Paul Martin, P.C., M.P.

In 2000–01, the government recorded its fourth consecutive budget surplus. We paid down \$17.1 billion in debt. The resulting interest savings of \$2.5 billion annually provides resources for new investments in priority areas that would otherwise not have been available.

The government took significant steps to put Canada's improved financial situation to work for the benefit of all Canadians. Under the September 2000 Health Accord, the Government of Canada committed \$23.4 billion to improving health care and increasing support for early childhood development.

In the October 2000 Economic Statement and Budget Update, the government expanded its five-year tax reduction plan to \$100 billion – cutting personal income taxes by an average of 21 per cent.

This balance between investing in priority programs, cutting taxes and reducing debt is crucial to our country's global competitiveness and the overall quality of life of all Canadians.

Our prudent approach to the management of the nation's finances has been key to building this flexibility to invest in our priorities while maintaining the capacity to deal with unexpected events. It will also be key to managing the current economic slowdown successfully and responding to the tragic events of September 11 and their consequences for Canadians.

That is why this Departmental Performance Report is so important. Keeping people informed about the Department's priorities and actions can only improve the level of public debate about Canada's economic and social priorities. Informed debate is the surest path to sound policy choices and better lives for all Canadians.

Section II: Departmental Overview

1. Mandate, Mission and Client Groups

Mandate

The fundamental purpose of the Department of Finance Canada is to help the government develop and implement economic, social and financial policies and programs that foster strong, sustainable growth. In its central agency role, it serves as the government's primary source of analysis and advice on the economic, fiscal and tax implications of key government priorities.

Departmental responsibilities include preparing the federal budget; developing tax and tariff policy and legislation; managing federal borrowing on financial markets; administering major transfers of federal funds to provinces and territories; developing regulatory policy for the country's financial sector; and representing Canada within international financial institutions.

This requires monitoring and researching the performance of the Canadian economy in terms of output and growth; employment and income; inflation and interest rates; and long-term structural changes as well as fiscal developments and outlook. The Department is also concerned with financial market developments, with trade and other international economic matters that bear on Canada's domestic economic performance, and with competitiveness.

Mission

The mission of the Department of Finance Canada is to support the Minister of Finance and the Secretary of State (International Financial Institutions) in carrying out their core functions and statutory responsibilities by

- providing the best possible analysis and policy advice on economic, social and financial issues;
- implementing government decisions in a timely and efficient manner;
- communicating government decisions in the clearest way possible, within and outside government;
- acting as an effective conduit for the views of participants in the economy from all parts of Canada; and
- maintaining high-quality support systems and development programs to carry out these functions.

Client Groups

The Department provides services to the following client groups:

- **The Government, Cabinet and the Treasury Board** – by providing analysis, advice and recommendations regarding economic and financial affairs and tax matters. The Department is also responsible for providing instructions for the drafting of legislation in these areas.
- **Parliamentary committees** – by being the primary sponsor of bills on taxation and financial matters and steering them through the parliamentary process.
- **Parliament, the public and Canadian interest groups** – by supporting an expanded program of public information and consultation. This includes responding to requests for information and providing facts to Canadians on key economic, fiscal and tax issues to facilitate wide participation in a more open, broad-based consultation process.
- **Departments, agencies, and Crown corporations** – by playing an active role in encouraging co-ordination and harmony among all federal initiatives which affect the economy, the financial sector and financial markets.
- **Provincial and territorial governments** – by constantly working towards improved co-operation on transfer, fiscal, taxation and financial sector issues to ensure a co-ordinated approach to issues of concern to all governments, and by working with provinces and territories as the joint stewards of the Canada Pension Plan (CPP) to ensure that it remains financially secure and stable.
- **Financial market participants** – by working with market participants to improve debt management practices and to promote the maintenance of a well-functioning market for Government of Canada securities, and by ensuring that investors in Canadian government debt are well-informed of financial and economic developments.
- **Financial institutions** – by ensuring that the legislative and regulatory framework allows financial institutions to compete effectively at home and abroad, empowers and protects consumers of financial services, and enables institutions to generate the financing necessary for Canadian businesses to grow and prosper.
- **International economic and finance community** – by developing Canada's policy with respect to the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development; by negotiating double taxation treaties with our treaty partners; and by representing Canada in a broad range of official international forums (such as the G-7 and G-20).
- **International trade community** – by being responsible for Canada's import policy, including the *Customs Tariff*, trade remedy legislation and trade in financial services, and by participating in international trade forums (such as the World Trade Organization or WTO) and in related negotiations as they concern trade, import policy, services and investment issues.

For further information on the structure and role of the Department of Finance Canada, please see Annex E or access the Department's Web site at <http://www.fin.gc.ca/toce/2000/sr-e.html>.

2. Factors Influencing the Department

The Department's priority is to help the government make decisions that lead to the kind of strong and sustained economic growth that will allow Canadians to enjoy better living standards and governments to have the resources required to provide high-quality public services.

The Department makes these efforts in a challenging environment. Canada and Canadians must compete in a fast-paced, technology-driven global economy. We must respond to economic uncertainty among our major trading partners. We must continue to strengthen the social fabric of our country. And we must pursue our efforts to advance our country's interests and values in a rapidly changing world.

The Department's involvement in such a broad range of issues and functions related to economic and social policy formulation and implementation requires extensive consultation efforts not only within the federal government, but also with provincial governments, the private sector and the Canadian public. Such consultations provide the Department with feedback on proposed federal initiatives, as well as with opportunities to react to specific proposals from outside the federal government.

Given its active involvement in the government's heavy policy and legislative agenda, demands have increased significantly on the Department for analysis and advice on a number of fronts, such as tax policy, financial sector policy, social policy, trade policy and economic development.

Section III: Departmental Performance

1. Planned Results and Chart of Strategic Outcomes

In its 2000–01 *Report on Plans and Priorities* (RPP), the Department presented the results it planned to achieve for the 2000–01 fiscal year in terms of key results commitments (see pages 12 to 15 of the RPP). The Department’s key results commitments set out in the 2000–01 RPP were recast as strategic outcomes in the 2001–02 *Report on Plans and Priorities* to provide readers with a better focus on the Department’s strategic directions. The planned results presented in the 2000–01 RPP, and assessed in this performance report, have been linked to these four strategic outcomes. See Annex D for a chart listing the planned results in the *Report on Plans and Priorities* and the corresponding planned results listed in the following Chart of Strategic Outcomes.

Chart of Strategic Outcomes

To provide Canadians with . . .

FISCAL SUSTAINABILITY

2000–01 Planned Results¹

- improved fiscal situation
- a tax system that responds to changing fiscal, economic and social realities
- maintaining and expanding Canada's tax treaty network
- improved federal administration of provincial taxes
- coinage supply meets the needs of the economy and at a reasonable cost
- enhanced efficiency and effectiveness of the federal government's borrowing program
- effective financial risk-management processes
- diversifying the government's investor base

2000–01 Outcomes Achieved

- fourth consecutive budget surplus and further reduction of the debt-to-GDP ratio
- extension of the current inflation target for five years
- introduction of five-year \$100-billion tax reduction plan
- 11 tax treaties negotiated, signed and/or entered into force
- tax-on-income system effective for the 2001 taxation year
- new contract negotiated with the Royal Canadian Mint for the supply of circulating coins
- adjustments made to debt programs to enhance liquidity and keep borrowing costs low
- measures taken to improve the government's financial position and to limit credit risk
- investor access to retail debt broadened through enhancement of sales channels

¹ The Planned Results are taken from the 2000–01 *Report on Plans and Priorities*, although in some cases particular planned results have been combined. (Please see Annex D.)

THE KNOWLEDGE-BASED ECONOMY

2000–01 Planned Results

- ❑ incentives for economic growth, investment, and entrepreneurship
- ❑ a competitive and dynamic financial services sector that is responsive to consumer needs
- ❑ increased efforts to detect and deter money-laundering, aiding the international fight against organized crime

2000–01 Outcomes Achieved

- ❑ lower capital gains taxes, investments in the Canada Foundation for Innovation and Genome Canada, and funding for the Canada Research Chairs Program
- ❑ legislation to implement a new policy framework for the financial services sector received Royal Assent
- ❑ new anti-money laundering legislation enacted, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) established, and contribution to the advancement of international initiatives

SOCIAL ADVANTAGE FOR CANADA

2000–01 Planned Results

- ❑ improved support for Canadian children
- ❑ improved support for provinces and territories in providing social and other public services
- ❑ a secure and stable Canada Pension Plan

2000–01 Outcomes Achieved

- ❑ significant enrichments to the Canada Child Tax Benefit (CCTB)
- ❑ implementation of the First Ministers' agreement, resulting in increased financial support in the amount of \$23.4 billion over five years for health, early childhood development and other social services
- ❑ provided \$42 billion through the major federal transfer programs to support provinces and territories in providing health, social and other programs (including the value of tax point transfers and prior years' adjustments)
- ❑ Canada Pension Plan Investment Board regulations amended to provide greater discretion and federal-provincial review of remaining investment requirements undertaken

- ❑ enhanced support for effective and transparent Aboriginal governments
- ❑ consolidated legislation enabling First Nations to levy a tax on sales of certain commodities
- ❑ a tax system that responds to changing fiscal, economic and social realities
- ❑ increased tobacco taxes to reduce smoking and promote the health of Canadians

GLOBAL ADVANTAGE FOR CANADA

2000–01 Planned Results

- ❑ a more secure international financial system
- ❑ advance Canada’s international trade and investment interests
- ❑ tariff and trade remedy policies supportive of Canadian competitiveness
- ❑ a cost-effective national strategy on climate change
- ❑ improved financial stability of poor countries

2000–01 Outcomes Achieved

- ❑ through G-7, G-20 and other international fora, promoted greater transparency, improved financial sector regulation and supervision, prudent debt management and appropriate exchange rate arrangements to help reduce global vulnerability to financial crises
- ❑ developed Canada’s positions on tariffs and on trade remedy and financial services issues for trade agreement negotiations, and helped manage trade and investment disputes
- ❑ lowered tariffs on a range of products and improved the transparency and fairness of Canada’s trade remedy procedures
- ❑ contributed to the development of targeted environmental and climate change measures
- ❑ debt reductions through the Heavily Indebted Poor Countries Initiative and the Canadian Debt Moratorium

2. Performance Accomplishments

The Department’s accomplishments during 2000–01 are conveyed below in terms of its strategic outcomes: Fiscal Sustainability, the Knowledge-based Economy, Social Advantage for Canada, and Global Advantage for Canada. They are consistent with the goals set by the government in the Speech from the Throne (<http://www.sft-ddt.gc.ca>):

- ❑ building a world-leading economy driven by innovation, ideas and talent;
- ❑ creating a more inclusive society where children get the right start in life, where quality health services are available to all, and where Canadians enjoy strong and safe communities;

- ❑ ensuring a clean, healthy environment for Canadians and the preservation of our natural spaces; and
- ❑ enhancing our Canadian voice in the world and our shared sense of citizenship.

In addition, at a corporate level, the Department continued its efforts to create a workplace that attracts and retains the best and brightest knowledge workers. Recognizing that our people, and the culture and environment in which they work, are our key assets, the Department developed and implemented a new Human Resource Plan. (Please see Annex E.)

As well, the Department of Finance worked on improving the exchange of information, both internal and external. Departmental policies and software systems were made compliant with the requirements of the Financial Information Strategy (FIS). This Strategy seeks to provide improved information to help departments and agencies manage their resources and activities and report better information to Parliament. Also, special efforts were taken to improve the effectiveness of the Department's Web site. The Web site received more than six million hits from interested Canadians in the first two weeks following the 2000 budget speech.

During 2000–01, the Department's expenditures amounted to \$70.3 billion, including \$42.1 billion under the Public Debt Program and \$27.0 billion under the Federal-Provincial Transfers Program. The cost of running the Department, namely the payment of salaries and wages and the purchase of goods and services, was \$77.1 million. Further information on the Department's resource expenditures can be found in the financial tables in Annex C of this report. Details on the departmental organization, including the number of employees and the characteristics of our workforce, can be found in Annex E of this report.

A. Fiscal Sustainability

A.1 Context and Background

- The federal government has recorded four consecutive budget surpluses and a key planning objective will be to ensure that sound financial management and fiscal sustainability are maintained.
- Given the unavoidable cyclical swings in the global economy from periods of strong economic growth to slowdowns, it is essential that Canada's economic strategy focuses on creating strong fundamentals today, and going forward. This approach has included balanced budgets or better, low inflation, tax cuts and forward-looking policies, to best allow Canada to cope with any downturns and to take advantage of the upturns in the global economy.
- A key to ensuring fiscal sustainability is to ensure that the government's spending and revenue plans are based on prudent economic forecasts.

A.2 Outcomes Achieved

- Fourth consecutive budget surplus and further reduction of the debt-to-GDP ratio**

Performance Measures

- ✓ Balanced budget
- ✓ Debt-to-gross domestic product (GDP) ratio

Accomplishments in Detail

- The budget surplus for 2000–01 was \$17.1 billion. This was the fourth consecutive surplus recorded by the government.
- The debt-to-GDP ratio was down to 51.8 per cent from a peak of 71 per cent in 1995–96. This significant reduction is a result of the substantial debt paydown (at least \$33 billion in the last four years), combined with strong economic growth.
- The debt paydown has resulted in interest savings of \$2.5 billion annually.
- For further details on the fiscal situation, reference should be made to the *Annual Financial Report of the Government of Canada*, available on the Department's Web site at <http://www.fin.gc.ca/purl/afr-e.html>.

- Extension of the current inflation target for five years**

Performance Measures

- ✓ Put in place new inflation targets prior to the expiry of the existing targets at the end of 2001

Accomplishments in Detail

- To ensure that Canada remains a low-inflation country, the government and the Bank of Canada agreed in May 2001 to extend for five years the current inflation target of 1 to 3 per cent.
- The core inflation rate averaged 1.5 per cent in 2000, within the existing target range.

Introduction of five-year \$100-billion tax reduction plan*Performance Measures*

- ✓ Estimated change in average income tax burdens
- ✓ Targeted reductions in priority areas

Accomplishments in Detail

- The October 2000 Economic Statement and Budget Update introduced the largest tax reduction in Canadian history, resulting in \$17 billion in tax relief during 2001 and reaching a total of \$100 billion by 2004–05.
 - ❑ The effect of this relief will be to reduce personal income taxes on average by 21 per cent by 2004–05. For families with children, the average personal income tax burden will be 27 per cent less.
- Personal income taxes were decreased for all taxpayers effective January 2001.
- Tax relief has focused first and foremost on providing proportionally more relief to those who need it most, particularly families with children.
 - ❑ Effective July 1, 2001, the Canada Child Tax Benefit for low- and middle-income Canadians was increased.
 - ❑ Effective January 2001, the disability tax credit amount and the credit amounts for caregivers and infirm dependents were raised.
 - ❑ Effective January 2001, the education amount was doubled.
- A one-time payment was provided to help low- and modest-income Canadians deal with the impact of rising energy prices on home-heating costs.
- The October Economic Statement set out a clear and legislated accelerated timetable for lowering business tax rates on business income that was previously not eligible for special tax treatment, including the fast-growing service sector.
 - ❑ Combined with announced reductions in provincial tax rates, in 2005 business tax rates in Canada will be about 5 percentage points lower than in the U.S. – creating a Canadian advantage.
- The tax on capital gains was reduced (the average top tax rate on capital gains is now 2 percentage points lower than the typical capital gains tax rate in the United States).

- For further details on the tax relief initiatives announced in the 2000 budget and the October 2000 Economic Statement and Budget Update, please visit the Department's Web site at <http://www.fin.gc.ca/access/budinfoe.html>.

11 tax treaties negotiated, signed, and/or entered into force

Performance Measures

- ✓ Negotiation, signing, and/or entry into force of new or amended tax treaties

Accomplishments in Detail

- Progress was made on a number of fronts to enlarge and update Canada's tax treaty network.
 - For the first time, tax treaties with Algeria, Jordan, the Kyrgyz Republic and Uzbekistan entered into force.
 - A tax treaty was signed with Slovenia, and negotiations were completed for treaties with the Czech and Slovak Republics, Ecuador, Gabon, Germany and Venezuela.

Tax-on-income system effective for the 2001 taxation year

Performance Measures

- ✓ Adoption of tax-on-income (TONI) system by provinces participating in Tax Collection Agreements (TCAs)
- ✓ New agreements with the provinces and territories for the costing of federal administration of provincial measures

Accomplishments in Detail

- All provinces and territories participating in TCAs have adopted the TONI system effective January 1, 2001. TONI provides participating provinces greater tax policy flexibility while maintaining the benefits of a common tax base and single administration.
- New tax-collection agreements to reflect TONI are being negotiated with the provinces and territories.
- New costing guidelines have been developed with the Canada Customs and Revenue Agency.

New contract negotiated with the Royal Canadian Mint for the supply of circulating coins

Performance Measures

- ✓ Supply of coins meets the needs of the economy at a reasonable cost

Accomplishments in Detail

- The Department of Finance Canada and the Royal Canadian Mint agreed to a new contract for the purchase of domestic circulating coinage. The new contract will ensure that domestic circulating coins continue to be supplied to the economy at a reasonable cost, on terms commensurate with those of similar manufacturing activity in the private sector.
- The Royal Canadian Mint's two-year Millennium coin program was successfully completed.

Adjustments made to debt programs to enhance liquidity and keep borrowing costs low

Performance Measures

- ✓ Low and stable debt charges
- ✓ Auction statistics – coverage ratio and tail (the difference between the average and highest awarded yield)
- ✓ Buyback statistics – coverage ratio and relationship of prices paid to fair value

Accomplishments in Detail

- The Department successfully achieved the debt strategy objectives of 1) providing stable, low-cost funding for the government; and, 2) maintaining and enhancing a well-functioning Government-of-Canada securities market.
 - Debt programs were adjusted to maintain liquidity and investor interest in a declining debt environment. All auctions were successfully executed, with good coverage and tight bidding.
 - The bond buyback program was implemented on an ongoing basis and increased in size. There was active participation in buyback operations, and target amounts were bought at fair values.
- Effective debt management contributes to maintaining fiscal health and to the functioning of capital markets for the benefit of all Canadians.

- Further information on the government's debt programs and strategy, as well as auction results, can be obtained on the Department's Web site at http://www.fin.gc.ca/secur/gocsec_e.html or on the Bank of Canada's Web site at <http://www.bankofcanada.ca/en/securities.htm>.

Measures taken to improve the government's financial position and to limit credit risk

Performance Measures

- ✓ Amount of financial exposure to individual counterparties (those firms doing business with the federal government)
- ✓ Level of liquid foreign exchange reserves and carrying costs
- ✓ Size of the gap between the amount of U.S. dollar assets and liabilities

Accomplishments in Detail

- Foreign exchange reserve levels were increased at lower costs. This provides assurance to market participants that Canada can weather periods of financial turmoil such as those caused by the Asian crisis in 1998.
 - Additional information on the management of the foreign exchange reserves can be found on Finance's Web site at <http://www.fin.gc.ca/purl/efa-e.html>.
- The government's fiscal exposure to financial risk, including changes in interest rates, exchange rates and counterparty failure, was reduced.
 - Buybacks of maturing bonds were introduced to reduce the impact of large maturities on costs and the exchange rate.
 - A new framework was introduced for controlling counterparty exposures associated with auctions of government cash balances.
 - Further information on the new cash management framework can be obtained on the Bank of Canada Web site at <http://www.bankofcanada.ca/en/cash-bal.htm>.
 - Purchases of U.S. dollars were made to re-balance foreign currency-denominated assets and liabilities in the foreign exchange portfolio.

Investor access to retail debt broadened through enhancement of sales channels

Performance Measures

- ✓ Gross sales of Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) within plan

- ✓ Increased access to services and products
- ✓ Management of non-marketable portfolio and spending within budget
- ✓ More efficient operations

Accomplishments in Detail

- Gross sales of CSBs and CPBs are estimated at \$3.3 billion for the year, slightly over the amount planned. Of this amount, approximately \$1.3 billion was made through the payroll channel. Tracking of key brand characteristics shows continued positive trends.
- Several initiatives increased Canadians' access, while providing an efficient distribution means of retail debt products for the government.
 - ❑ The direct option of purchasing CSBs and CPBs by telephone was enhanced and provided the Department with valuable lessons as it expanded the direct option to the Internet: <http://www.csb.gc.ca>.
 - ❑ In the payroll channel, an on-line application form was successfully piloted. As well, a Web-site transmission option was introduced that allows small- and medium-sized businesses to submit employee payroll deduction data directly to the Bank of Canada.
- Actual spending was \$27.6 million below planned spending and also below 1999–2000 actual spending.
- A Request for Proposal for the delivery of “back office” services was initiated. These services are expected to provide significant ongoing efficiencies.

B. The Knowledge-based Economy

B.1 Context and Background

- Innovation is a key to success in the new, knowledge-based economy and a country's potential to be innovative is directly linked to its research capacity. Canada faces a real challenge in this area.
- Innovative capital markets are crucial to Canada's future economic prospects. The financial services sector is a case in point. It plays a major role in enabling innovation and risk-taking throughout the economy and is a key centre for innovation in its own right.
- In recent years the government has introduced a number of measures designed to increase Canada's innovative capacity. It has provided support for basic research and development, and developed tax and other policy initiatives to promote entrepreneurship, innovation and risk-taking.

B.2 Outcomes Achieved

- ❑ **Lower capital gains taxes, investments in the Canada Foundation for Innovation and Genome Canada, and funding for the Canada Research Chairs Program**

Performance Measures

- ✓ More entrepreneurial activity and risk-taking
- ✓ Improved access to capital for small business
- ✓ Increased research capacity in universities and other research communities

Accomplishments in Detail

- Tax initiatives were introduced in the 2000 budget and the October 2000 Economic Statement and Budget Update specifically designed to promote entrepreneurship, economic growth and job creation in ways that create a Canadian advantage in the new economy. Two examples are:

- ❑ The tax on capital gains was reduced (the average top tax rate on capital gains is now 2 percentage points lower than the typical capital gains tax rate in the United States).
- ❑ Tax-free rollovers were made available to more businesses. The size of eligible investments was increased to \$2 million and the size of businesses eligible for the rollover increased to \$50 million.

Further details about the 2000 budget and the October 2000 Economic Statement and Budget Update, can be found at <http://www.fin.gc.ca/access/budinfoe.html>.

- Initiatives were introduced in the 2000 budget and the October 2000 Economic Statement and Budget Update to support innovation by making investments to promote research and development. For example, there was
 - ❑ investment totalling \$900 million over five years in the Canadian Research Chairs Program to promote research excellence in Canadian universities by attracting and retaining world-class researchers; and
 - ❑ investment of \$3.15 billion in the Canada Foundation for Innovation to enable Canadian universities, colleges, research hospitals, and other not-for-profit institutions to carry out world-class research and technology development.

- ❑ **Legislation to implement a new policy framework for the financial services sector received Royal Assent**

Performance Measures

- ✓ Passage of Bill C-8 to implement a new policy framework for the financial services sector
- ✓ Legislation is widely supported by all stakeholders
- ✓ Financial Consumer Agency of Canada commences operations as soon as possible after Bill C-8 comes into force

Accomplishments in Detail

- The Department of Finance Canada prepared Bill C-8, *An Act to establish the Financial Consumer Agency of Canada and to amend certain Acts in relation to financial institutions*, for consideration by Parliament. Bill C-8 received Royal Assent on June 14, 2001. The legislation was widely supported by all stakeholders. Information about the legislation can be found at <http://www.fin.gc.ca/news01/01-014e.html>.
- The measures contained in the legislation will promote the efficiency and growth of the financial services sector; foster greater domestic competition; empower and protect consumers; and improve the regulatory framework.
- The Department also set up a transition team to prepare for the new Financial Consumer Agency of Canada. The Department expects that the new Agency will be ready to be launched shortly after the coming into force of the legislation, expected in the fall of 2001.

- ❑ **New anti-money laundering legislation enacted, the Financial Transactions and Reports Analysis Centre of Canada established, and contribution to the advancement of international initiatives**

Performance Measures

- ✓ Anti-money laundering legislation in place
- ✓ Canada's participation in international anti-money laundering discussions

Accomplishments in Detail

- The Department prepared proposals to amend the *Proceeds of Crime (Money Laundering) Act* (Bill S-16) at the request of the Senate. These proposals were introduced on February 20, 2001, and received Royal Assent on June 14, 2001.

- Regulations to implement the mandatory reporting of suspicious transactions will come into force on November 8, 2001. Regulations regarding the reporting of certain prescribed transactions, and to enhance current client identification and record-keeping requirements, are expected to follow shortly thereafter, following further consultations with stakeholders and other departments.
- Canada's anti-money laundering legislation also provides for record-keeping and customer identification requirements that help prevent other abuses of the financial system, including terrorist financing. Further, regulations were implemented, most recently on October 2, 2001, under the *United Nations Act* to freeze the assets of terrorists and terrorist groups. Legislative proposals to broaden the scope of Canada's anti-money laundering regime to address terrorist financing more directly were introduced in Parliament in October 2001.
- Canada participated in international initiatives to promote the application of international anti-money laundering standards. The Department worked to encourage regional initiatives through the provision of Canadian technical assistance and support directed at enhancing anti-money laundering regimes in other countries.

C. Social Advantage for Canada

C.1 Context and Background

- Creating a social advantage – strong communities, a highly skilled labour force, first-rate health care, quality education, an effective social safety net and equality of opportunity – is key to creating a country's economic advantage.
- Furthermore, in the knowledge-based economy, there are rapid shifts in employability skills in all sectors. The challenge for Canada is not only to increase its pool of knowledge workers, but also to focus on the skills, retention and lifelong learning of those workers.
- This means that it will be important to continue making progress on several social policy fronts: support for the implementation of the First Ministers' agreement on health and early childhood development between the federal and provincial and territorial governments; a sustainable system of transfers to provinces and territories; assistance in the development of skills; and sustainable social programs.

C.2 Outcomes Achieved

- Significant enrichments to the Canada Child Tax Benefit (CCTB)**

Performance Measures

- ✓ Increased tax assistance for families with children
- ✓ More families with children receiving the CCTB

Accomplishments in Detail

- As part of the 2000 budget, the National Child Benefit (NCB) supplement was increased in July 2001 by \$200. As of July 2001, the maximum annual benefit for the first child will increase to \$2,372 from \$2,081, mainly due to an increase in the NCB supplement.
- The NCB supplement portion of the CCTB benefits approximately 2.6 million children. All told, CCTB benefits for 2001 will reach 5.9 million children – more than 80 per cent of children in Canada.
- By 2004, the CCTB will be available to 90 per cent of Canadian children, and the maximum annual total benefit will rise to more than \$2,500.

❑ Implementation of the First Ministers' agreement, resulting in increased financial support in the amount of \$23.4 billion over five years for health, early childhood development and other social services

Performance Measures

- ✓ Passage of Bill C-45 to support the agreement by First Ministers on health renewal and early childhood development
- ✓ Establishment of a Medical Equipment Trust Fund
- ✓ Tabling of Bill C-18 to support the First Ministers' agreement on the removal of the 1999–2000 Equalization ceiling

Accomplishments in Detail

- At their meeting of September 11, 2000, First Ministers reached agreement on health renewal and early childhood development. The federal government committed \$23.4 billion of new federal investments over five years to support the First Ministers' agreement.
- The Department prepared Bill C-45, *Canada Health Care, Early Childhood Development and Other Social Services Funding Act*, which received Royal Assent on October 20, 2000.
- This legislation provides \$21.1 billion over five years through the existing Canada Health and Social Transfer (CHST) program, \$1 billion for medical equipment and \$500 million for health information technology. The \$800 million provided through the Health Transition Fund managed by Health Canada brings the total to \$23.4 billion, as provided for in the First Ministers' agreement.
- With respect to the \$1 billion for medical equipment, the Department created a third-party Medical Equipment Trust Fund. This fund was established following consultations with the provinces and territories.

- Also, First Ministers agreed at the September meeting to the removal of the \$10 billion ceiling on 1999–2000 Equalization payments.
- Following consultations by the Minister of Finance with provincial and territorial ministers of finance, the Department prepared Bill C-18, *An Act to Amend the Federal-Provincial Fiscal Arrangements Act*, for consideration by Parliament. Bill C-18 was tabled on March 15, 2001. Bill C-18 received Royal Assent on June 14, 2001, and will provide the seven receiving provinces with an estimated additional \$792 million of funding for social and other programs.

❑ **Provided \$42 billion through the major federal transfer programs to support provinces and territories in providing health, social and other programs (including the value of tax point transfers and prior years' adjustments)**

Performance Measures

- ✓ Transfer payments made to provinces and territories in accordance with legislation and regulations
- ✓ Development and implementation of an “evergreen” work plan leading up to the renewal of the major federal transfer programs in 2004 (Equalization, CHST and Territorial Formula Financing)

Accomplishments in Detail

- The administration of the transfer programs (CHST, Equalization and Territorial Formula Financing) was undertaken in accordance with the legislation and regulations, and met with the approval of the Auditor General. These transfer programs provided provinces and territories with a total of \$42 billion, including the value of tax point transfers and prior years' adjustments, in 2000–01 to support the provision of health, social and other programs.
- Ongoing work and research were reviewed periodically with the provinces and territories to consider options leading to the renewal of the Equalization Program in 2004. A work plan has been developed with provincial officials, which outlines research requirements and timelines.
- Meetings were also held with territorial officials to consider changes and new approaches to Territorial Formula Financing leading to the next agreement in 2004. The research objectives set out in the established work plan were met in 2001.

- ❑ **Canada Pension Plan Investment Board regulations amended to provide greater discretion and federal-provincial review of remaining investment requirements undertaken**

Performance Measures

- ✓ Annual report of the Canada Pension Plan (CPP)
- ✓ Work on the second triennial review of the CPP is on schedule
- ✓ Canadians have a better understanding of the CPP and the retirement income system
- ✓ Canada Pension Plan Investment Board (CPPIB) is subject to investment rules similar to those faced by other pension funds

Accomplishments in Detail

- The Department completed an assessment, with Human Resources Development Canada, of a number of issues identified by provincial ministers. Reports were prepared for consideration by federal and provincial officials, with additional work on a number of specific issues being undertaken in the context of the second triennial review of the CPP (2001–03).
- The 1999–2000 CPP annual report was prepared jointly with Human Resources Development Canada.
- The first annual CPP statement of contributions was sent to contributors as announced by the Minister of Finance in the 2000 budget. The statement will help Canadians make the best possible decisions regarding their retirement.
- New directors with extensive business and financial experience were appointed to the CPPIB, ensuring that the board of directors continues its key oversight role in the management of CPPIB assets.
- The CPPIB regulations were amended to give the Board full discretion on its investment policy for up to 50 per cent of the funds that it allocates to domestic equities.
- Agreement was reached with the provinces to remove the CPPIB's remaining passive investment requirement. The proposed amendment to the CPPIB's Regulations has been published in the *Canada Gazette*.

Consolidated legislation enabling First Nations to levy a tax on sales of certain commodities

Performance Measures

- ✓ Adoption of legislation enabling First Nations to levy a tax on sales of fuel, tobacco products and alcoholic beverages

Accomplishments in Detail

- The Department worked to consolidate into a single Act various legislative provisions enabling certain First Nations to levy a tax on sales of fuel, tobacco products and alcoholic beverages within their reserves. In addition, the new legislation increased the number of bands with the power to levy such a sales tax.
- The exercise of taxation powers by First Nation governments makes them more self-reliant and less dependent on government transfers. The fact that the First Nations' sales taxes apply to First Nation members enhances the accountability of First Nation governments to their members.

Increased tobacco taxes to reduce smoking and promote the health of Canadians

Performance Measures

- ✓ Increased tobacco tax rates to reduce smoking
- ✓ Reduced levels of tobacco contraband activity

Accomplishments in Detail

- Tobacco consumption is a leading cause of preventable premature death and disability in Canada. On April 5, 2001, the government announced a comprehensive strategy to discourage smoking in Canada. The strategy includes the following three elements:
 - increased tobacco taxes;
 - initiatives to combat smuggling; and,
 - improved health awareness.
- Further information on this initiative can be found at <http://www.fin.gc.ca/news01/01-039e.html>.

D. Global Advantage for Canada

D.1 Context and Background

- Canada must promote and protect its interests and values in a rapidly changing global environment. That is why it must pursue its efforts to help forge international consensus on reforms that will lead to increased global economic growth, greater financial stability and a better sharing of the benefits of globalization.
- It must also work to strengthen the rules-based international trading system, while pursuing its trade and investment interests through international negotiations, notably in the World Trade Organization (WTO) and the proposed Free Trade Area of the Americas (FTAA), as well as through the appropriate use of dispute settlement mechanisms.
- Canada's ability to reap the benefits of truly global markets is also directly affected by the awareness and understanding of our country's advantages among global investors and in foreign markets. Further efforts will be required to improve that awareness and understanding.

D.2 Outcomes Achieved

- **Through G-7, G-20 and other international fora, promoted greater transparency, improved financial sector regulation and supervision, prudent debt management and appropriate exchange rate arrangements to help reduce global vulnerability to financial crises**

Performance Measures

- ✓ Adoption of multilateral initiatives to strengthen the ability of the International Monetary Fund (IMF) to create a more secure international financial system
- ✓ International consensus in the G-20 and other fora on ways to promote a stronger and more stable international financial system

Accomplishments in Detail

- As Chair of the G-20 and as a member of the G-7 and other international groupings, Canada has worked to develop an international consensus on appropriate ways to promote a stronger and more stable international financial system. Canada has also led progress toward this objective through its chairmanship of the Western Hemisphere Finance Ministers' process in the run-up to the ministerial meeting of the group in April 2001.
- This includes working with our international partners to encourage countries to implement international standards and codes for the transparency of economic and financial data, for fiscal and monetary policies and for financial sector regulation and supervision, and to improve the efficiency of international capital markets.

- The Department's work has contributed to
 - ❑ Canada's successful chairing, in Montreal in November 2000, of the G-20 Ministerial Meeting that endorsed the "Montreal Consensus" on policy responses to globalization, stability-oriented macroeconomic policies and strong social policies; additional information on the G-20 can be found at <http://www.g20.org/indexe.html>.
 - ❑ the successful outcome of the Western Hemisphere Finance Ministers' meeting in April 2001; and,
 - ❑ the preparation, with Canada's G-7 partners, of the report on the reform of the International Financial Architecture, released in July 2000.

- ❑ **Developed Canada's positions on tariffs and on trade remedy and financial services issues for trade agreement negotiations, and helped manage trade and investment disputes**

Performance Measures

- ✓ Pursuit of international agreements to further Canada's trade and investment interests
- ✓ Appropriate use of trade dispute settlement mechanisms
- ✓ Improved services to Canadian exporters

Accomplishments in Detail

- The Department developed Canada's positions on import policy (tariff and trade remedy issues) and trade-in-services issues, notably financial services, for multilateral trade negotiations under the WTO. (Papers used as the basis for these consultations are on Finance's Web site at http://www.fin.gc.ca/access/int_iss_e.html#discuss.)
- The Department also developed Canada's priorities and positions on these issues for regional initiatives (e.g., FTAA) and bilateral initiatives.
- The Department participated in preliminary discussions with Singapore and four Central American countries (Nicaragua, El Salvador, Guatemala and Honduras) on the possible scope of free trade negotiations with these countries.
- The Department of Finance also participated in developing the Canadian position on several significant international trade and investment disputes. These included the WTO cases concerning Brazilian aircraft subsidies, Canadian dairy product exports and softwood lumber, and continued to monitor import pressures facing Canadian steel producers.

- The Department worked closely with the Department of Foreign Affairs and International Trade in reviewing the mandates of the Export Development Corporation and the Canadian Commercial Corporation. Legislative amendments will be tabled in 2001 to improve support to Canadian exporters.

Lowered tariffs on a range of products and improved the transparency and fairness of Canada's trade remedy procedures

Performance Measures

- ✓ Import policy measures (e.g., tariffs and anti-dumping and countervailing duties) that sustain or enhance the competitiveness of Canadian industry

Accomplishments in Detail

- Lower tariffs were introduced on a number of inputs for domestic manufacturing and on additional goods imported from least-developed countries. As well, the elimination of tariffs on certain products imported from Mexico was accelerated under the North American Free Trade Agreement.
- In April 2000, amendments were effected to the *Special Import Measures Act* that clarify the “public interest” provisions and strengthen procedural transparency and fairness in Canada’s anti-dumping and countervailing duties system.
- As well, certain provisions of the *Special Import Measures Act* were suspended to ensure that Canada accords other countries no more favourable treatment in countervailing duty investigations than they accord Canada.
- The one-hundred-per-cent *ad valorem* tariff on imports of certain meat and agricultural products from the European Union (EU) was maintained in response to the EU prohibition of imports of beef containing growth hormones. This action was adopted in August 1999 to enforce Canada’s rights under the WTO.

Contributed to the development of targeted environmental and climate change measures

Performance Measures

- ✓ Funding towards a national strategy on climate change

Accomplishments in Detail

- The Department contributed to the development of the \$500-million Government of Canada Action Plan 2000 on Climate Change for domestic emissions reduction.

- In the 2000 budget, the government announced an additional \$700 million to preserve and improve Canada’s natural environment, harness new technology and respond effectively to the challenges of climate change.

❑ Debt reductions through the Heavily Indebted Poor Countries Initiative and the Canadian Debt Moratorium

Performance Measures

- ✓ Advancement of the Heavily Indebted Poor Countries (HIPC) Initiative and the Poverty Reduction Strategy Paper Process
- ✓ Increased orientation of the work of the World Bank and International Monetary Fund (IMF) to broadening and deepening development in the world’s poorest countries

Accomplishments in Detail

- The Department continued to mobilize financial resources to help alleviate the debt burden for heavily indebted poor countries within the context of the multilateral HIPC Initiative. Nineteen countries reached their “HIPC decision points,” bringing the total to 22. As well, through the offices of the Executive Directors representing Canada at the IMF and the World Bank, the Department provided advice on the poverty reduction strategy papers (PRSPs) being developed by the world’s poorest countries. Four countries completed full PRSPs and 32 countries prepared interim PRSPs.
- Canada proposed in September 2000 that developed countries implement a debt moratorium for poor countries committed to poverty reduction and peaceful development. In December 2000, Canada implemented the Canadian Debt Moratorium, providing immediate benefits to 11 countries.
- The Department also provided advice to both the IMF and the World Bank on programmes these institutions are implementing in support of developing countries’ poverty reduction programmes and to promote greater financial stability.
- Working with like-minded government shareholders, Canada has been able to increase the focus of both the World Bank and the IMF on the world’s poorest countries, including how they address the creation of an enabling environment for trade and investment.

Annex A: Legislative and Regulatory Initiatives

The Department's performance on the legislative and regulatory initiatives listed below is indicated by successful passage of the legislation or regulation, and through feedback and consultations with interested private and public sector parties.

Purpose of Legislation and/or Regulations	Planned Results 2000–01	Results Achieved
<p>Legislation to implement changes to financial sector legislation as set out in <i>Reforming Canada's Financial Services Sector: A Framework for the Future</i></p>	<p>Legislation is to be tabled as soon as it is feasible.</p>	<p>Bill C–8, <i>An Act to establish the Financial Consumer Agency of Canada and to amend certain Acts in relation to financial institutions</i>, was introduced on February 7, 2001, and received Royal Assent on June 14, 2001.</p>
<p><i>Customs Tariff</i> – The tariff contains a number of provisions that allow the government to respond, on an ongoing basis, to the competitive needs of Canadian industry and to implement Canada's rights and obligations in accordance with international agreements and arrangements to which Canada is a party.</p>	<p>Through the use of orders and regulations, the government will respond, as required, to the competitive needs of Canadian industry and implement Canada's rights and obligations under international agreements and arrangements.</p>	<p>Seven Orders-in-Council were passed in 2000–01 to reduce or remove tariffs on imported goods used as inputs for manufacturing purposes.</p> <p>Two Orders were passed to clarify the legislative base of the tariff and subordinate regulations and other Orders were passed to ensure conformity with Canada's rights and obligations under international trade agreements.</p>

Purpose of Legislation and/or Regulations	Planned Results 2000–01	Results Achieved
<p>Sales Tax and Excise Tax Amendments Bill, 1999 – This legislation principally will implement technical changes to the Goods and Services Tax and Harmonized Sales Tax (GST/HST) announced by the Minister of Finance since March 1997, including sales tax measures proposed in the February 1998 federal budget concerning certain activities by charities, direct-sellers and the GST visitor rebate program. It also contains amendments to other taxes and tariffs, including the February 1999 budget measure to reduce the tobacco export tax exemption; the tobacco tax changes announced on November 5, 1999; custom tariff exemption increases for certain returning travellers proposed on June 10, 1999; and the repeal of the tax regime for split-run magazines as announced by the government on July 29, 1998.</p>	<p>The GST/HST changes will improve the operation of the GST/HST in the affected areas, will address industry concerns and provide greater certainty to suppliers and purchasers as to the status of their transactions, will remove certain anomalies in the existing tax structure and will secure revenues and ensure that the legislation achieves the intended policy.</p> <p>The tobacco tax changes will increase excise taxes on certain tobacco products and make permanent the existing surtax on tobacco manufacturers' profits.</p> <p>The increase in certain personal exemption limits for customs tariffs will expedite the processing of returning travellers' declarations when re-entering Canada.</p>	<p>The <i>Sales Tax and Excise Tax Amendments Act, 1999</i> received Royal Assent on October 20, 2000.</p>
<p><i>Excise Tax Act – Financial Services (GST) Regulations</i> – In accordance with previously announced government policy, these regulations are to be amended to clarify the treatment of certain clearing and settlement services and of management or administrative services provided to investment plans for the purposes of the GST.</p>	<p>These changes will provide sales tax treatment of administrative services with respect to financial instruments that is equitable relative to other administrative services that are taxable under the GST/HST.</p> <p>These changes will confirm current administrative practice and therefore provide greater certainty to suppliers and purchasers as to the status of their transactions.</p>	<p>The <i>Financial Services (GST) Regulations</i> were passed on January 30, 2001.</p>
<p><i>Excise Tax Act – GST/HST Regulations</i> will be proposed to prescribe security interests to which the Crown priority created by the deemed trust for GST/HST collections does not apply.</p>	<p>These regulations will provide greater certainty to secured creditors regarding the priority of their claims relative to those of the Crown with respect to prescribed forms of security.</p>	<p>Statutory provision giving authority to make the <i>GST/HST Regulations</i> relating to prescribed security interests received Royal Assent on October 20, 2000.</p>

Purpose of Legislation and/or Regulations	Planned Results 2000–01	Results Achieved
<p><i>Excise Tax Act</i> and related <i>Regulations</i> under Part IX of the Act (GST/HST) – Other amendments to the <i>Excise Tax Act</i> and <i>Regulations</i> made under Part IX of the Act may be required from time to time.</p>	<p>By means of these amendments the government will resolve technical problems, clarify ambiguous provisions, respond to court decisions, reflect or respond to other statutory changes and implement policy changes (including any changes that may be announced by press release or in the federal budget).</p>	<p>The <i>Sales Tax and Excise Tax Amendments Act, 2000</i> received Royal Assent on June 14, 2001. Its principal purpose was to enact GST/HST initiatives announced in the 2000 budget as well as other measures to improve the operation and fairness of the tax.</p>
<p><i>Excise Act</i> and related rules and regulations – New legislative framework for the federal taxation of spirits, wine and tobacco products</p>	<p>These will replace the current archaic legislation and complex administration with a modern and flexible tax structure that recognizes the needs of government and industry.</p>	<p>Further consultations on the proposed new excise framework for the taxation of spirits, wine and tobacco products were undertaken with industry associations and members, the provinces and provincial liquor boards, and other federal departments and agencies with a view to early tabling in Parliament of proposals for legislative reform.</p>
<p>Amendments to <i>Federal-Provincial Fiscal Arrangements Act</i></p>	<p>These amendments will be approved by Cabinet.</p>	<p><i>An Act to amend the Federal-Provincial Fiscal Arrangements Act</i> (Bill C–18) to remove the ceiling on 1999-2000 Equalization payments received Royal Assent on June 14, 2001.</p> <p><i>An Act respecting the provision of increased funding for health care services, medical equipment, health information and communications technologies, early childhood development and other social services and to amend the Federal-Provincial Fiscal Arrangements Act</i> (Bill C–45) received Royal Assent on October 20, 2000.</p>
<p>1999 budget income tax legislation</p>	<p>This legislation will amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> to implement the income tax proposals that were announced in the 1999 federal budget and other measures included in the Ways and Means Motion tabled in the House of Commons on December 7, 1999.</p>	<p>This legislation was included in Bill C–25, <i>An Act to amend the Income Tax Act, the Excise Tax Act and the Budget Implementation Act, 1999</i>, which was tabled on February 16, 2000, and received Royal Assent on June 29, 2000.</p>

Purpose of Legislation and/or Regulations	Planned Results 2000–01	Results Achieved
<p>November 1999 release of technical amendments to the <i>Income Tax Act</i></p> <p>Income tax changes relating to bank branching</p> <p>Income tax changes relating to foreign trusts and migrating taxpayers</p> <p>2000 budget income tax legislation</p>	<p>These amendments to the <i>Income Tax Act</i> will implement the income tax proposals that were announced in the Department of Finance <i>News Release 99–102</i> on November 30, 1999.</p> <p>These changes will amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> to implement the income tax aspects of the admission to Canada of branches of foreign banks.</p> <p>These amendments to the <i>Income Tax Act</i> implement the legislative proposals released on December 17, 1999.</p> <p>This legislation will amend the <i>Income Tax Act</i> and the <i>Income Tax Regulations</i> to implement the income tax proposals that were announced in the 2000 federal budget.</p>	<p>These amendments were included in Bill C–22, <i>An Act to amend the Income Tax Act, the Income Tax Application Rules, certain Acts related to the Income Tax Act, the Canada Pension Plan, the Customs Act, the Excise Tax Act, the Modernization of Benefits and Obligations Act and another Act related to the Excise Tax Act</i>, which was tabled on March 21, 2001, and received Royal Assent on June 14, 2001.</p> <p>Included in Bill C–22, as above.</p> <p>Included in Bill C–22, as above.</p> <p>Included in Bill C–22, as above.</p>
<p>Implementation of tax treaties</p>	<p>The government will introduce a bill to approve and implement new and amended income tax treaties between Canada and other countries.</p>	<p>This legislation was included in Bill S–3, <i>An Act to implement an agreement, conventions and protocols between Canada and Kyrgyzstan, Lebanon, Algeria, Bulgaria, Portugal, Uzbekistan, Jordan, Japan and Luxembourg for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income</i>, which received Royal Assent on June 29, 2000.</p>

Purpose of Legislation and/or Regulations	Planned Results 2000–01	Results Achieved
The Budget Implementation Bill, 2000	This legislation will implement various measures arising from the 2000 budget (for introduction in March 2000 and passage in June 2000).	This legislation was included in Bill C–32, <i>An Act to implement certain provisions of the Budget tabled in Parliament on February 28, 2000</i> , which received Royal Assent on June 29, 2000.
<i>Proceeds of Crime (Money Laundering) Bill</i>	By means of this legislative initiative, the government will help combat the laundering of the proceeds of crime, establish the Financial Transactions and Reports Analysis Centre of Canada, and amend or repeal certain Acts in consequence (introduced in the House of Commons on December 15, 1999, as Bill C-22).	A new <i>Proceeds of Crime (Money Laundering) Act</i> enacted and the Financial Transactions and Reports Analysis Center of Canada (FINTRAC) established. Pursuant to the passage of Bill C-22, amendments to the <i>Proceeds of Crime (Money Laundering) Act</i> (Bill S–16) at the request of the Senate were introduced on February 20, 2001, and received Royal Assent June 14, 2001. Draft regulations were published for comment on February 17, 2001. Implementation of these regulations is expected to be phased in, beginning with the mandatory reporting of suspicious transactions on November 8, 2001.

Annex B: Sustainable Development

In accordance with the *Auditor General Act*, the Department tabled its first Sustainable Development Strategy (SDS) in Parliament in December 1997. The *Auditor General Act* defines sustainable development as “development that meets the needs of today without compromising the ability of future generations to meet their own needs.” The Department’s 1997 strategy translated this definition into two broad objectives that fit well with the Department’s overall mandate:

- a) closer integration of economic, social and environmental objectives; and
- b) intergenerational equity.

In seeking to make progress on these two objectives, the 1997 SDS identifies four key issues that follow from the various core activities of the Department. These key issues and highlights of the Department’s progress are provided below. Further information is available at <http://www.fin.gc.ca/susdev/prog2001e.html>.

Key Issue: Integrating the Economy and the Environment

Objectives

To examine further ways of improving the tax system to make it more responsive to environmental considerations; to reduce subsidies; to study and evaluate the potential uses of economic instruments; and to continue to encourage effective regulatory frameworks

Highlights of Progress

- ◆ Continued evaluation of existing tax measures that encourage energy efficiency and the use of renewable energy
- ◆ Development and release of a catalogue of existing taxes on energy consumption and the transportation sector (available at http://www.fin.gc.ca/toce/2001/sdscat_e.html)
- ◆ Contribution to the development of the report of the Tradeable Permits Working Group of the National Climate Change Process (available at http://www.nccp.ca/NCCP/national_process/issues/tradable_e.html)

Key Issue: Building the Future

Objectives

To build on progress in maintaining a healthy fiscal climate; to foster a knowledge-based economy; to support health and social transfers and the retirement income system; and to foster a strong economy through the tax system

Highlights of Progress

- ◆ Increase in the National Child Benefit
- ◆ Introduction of significant tax reductions for all Canadians
- ◆ Bill C–45 was passed, legislating \$21.1 billion in increased funding through the Canada Health and Social Transfer (CHST) for health care and early childhood development through 2005–06; commitment made to announce CHST funding for 2006–07 and 2007–08 by the end of 2003–04.

Key Issue: Participating in the Global Economy

Objectives

To work toward the government's objectives in negotiating international environmental agreements and future trade and investment agreements; to develop environmental assessment guidelines for export credit agencies; and to press the issue of sustainable development in the institutions for which the Minister of Finance has primary responsibility

Highlights of Progress

- ◆ In the 2000 Economic Statement and Budget Update, the federal government announced the \$500-million, five-year Government of Canada Action Plan 2000 on Climate Change as its contribution to the First Business Plan of the National Implementation Strategy on Climate Change. The 2000 budget also included an additional \$700 million for climate change and other environmental initiatives, including a \$100-million Sustainable Development Technology Fund to support new environmental and climate change technologies.
- ◆ Input provided in the instructions for meetings of the Organization for Economic Co-Operation and Development (OECD), the WTO and the United Nations Environment Program (UNEP) on environmental assessment for export credit agencies and on trade and the environment
- ◆ Participation in the development of Canada's position regarding trade and the environment in preparation for a possible new round of multilateral trade negotiations

Key Issue: Greening Operations

Objectives

To improve the environmental management of the Department's operations, including improved procurement information and practices; to reduce solid waste; to increase energy efficiency; and to improve fleet management and communication

Highlights of Progress

- ◆ Research and development of a procurement guide
- ◆ Expansion of multi-material recycling programs to include plastics and styrofoam
- ◆ Implementation of a successful pilot project on reducing waste at the desk
- ◆ Collection of statistical information on the daily use of energy, and on paper and waste disposal practices

Also, in accordance with the *Auditor General Act*, the Department has prepared its 2001–03 Sustainable Development Strategy. The new SDS clarifies the Department’s policy role in promoting sustainable development, sets out a renewed action plan for sustainable development and enhances the management of the SDS within the Department. The 2001–03 SDS can be found at <http://www.fin.gc.ca/toce/2001/sds2001e.html>.

Annex C: Financial Performance

Overview

This section provides a summary of the Department of Finance Canada’s financial performance, which is reported against three separate programs and eight business lines in accordance with the approved Planning, Reporting and Accountability Structure.

The tables included in this section show a comparison of three amounts: Planned Spending, Total Authorities and Actual. “Planned Spending” is the amount included in the Department’s *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year. “Total Authorities” includes Main, Supplementary and other Estimate amounts approved by Parliament to reflect changing priorities and unforeseen events. “Actual” shows what was actually spent or revenues actually received.

The following financial tables present data for the Department of Finance Canada:

1. Summary of Voted Appropriations
2. Comparison of Total Planned Spending to Actual Spending
3. Historical Comparison of Total Planned Spending to Actual Spending
4. Revenues
5. Statutory Payments
6. Transfer Payments
7. Loans, Investments and Advances
8. Contingent Liabilities

Financial Tables

1. Summary of Voted Appropriations

Financial Requirements by Authority (\$ millions)

Vote		2000–01		
		Planned Spending ¹	Total Authorities ²	Actual
	Economic, Social and Financial Policies Program			
1	Program Expenditures	89.4	81.3	77.1
5	Grants and Contributions	330.0	345.0	194.4
(S)	Minister of Finance – Salary and Motor Car Allowance ³	0.1	0.1	0.1
(S)	Payments to the International Development Association	365.7	365.7	365.7
(S)	Payments to the International Monetary Fund's Poverty Reduction and Growth Facility	48.2	191.0	79.5
(S)	Contributions to Employee Benefit Plans	8.2	9.2	9.2
(S)	Purchase of Domestic Coinage ⁴	48.0	110.1	110.1
(S)	Payments of Liabilities Previously Transferred to Revenues	–	1.4	1.4
(S)	Refunds of Amounts Credited to Revenues in Previous Years	–	16.2	16.2
(S)	Spending of Proceeds from the Disposal of Surplus Crown Assets ⁵	–	0.1	–
(S)	Payments to Depositors of Canadian Commercial Bank, CCB Mortgage Investment Corporation and Northland Bank pursuant to the <i>Financial Institutions Depositors Compensation Act</i> ⁶	–	68.6	0.0
	Total Budgetary	889.6	1,188.7	853.7
L10	Issuance and payment of Demand Notes to the International Development Association	–	202.3	202.3
(S)	Issuance of Loans to the International Monetary Fund's Poverty Reduction and Growth Facility	440.0	474.9	113.5
(S)	Advances for Loans to, or Purchase of Preferred Shares in, Petro-Canada Limited Pursuant to the <i>Petro-Canada Limited Act</i>	–	27.2	–
(S)	Subscriptions for Common Shares of Petro-Canada Limited Pursuant to the <i>Petro-Canada Limited Act</i>	–	1,573.6	–
(S)	Payment to the European Bank for Reconstruction and Development for supplementary subscriptions of shares	–	6.4	6.4
(S)	Issuance of demand notes to the European Bank for Reconstruction and Development for supplementary subscriptions of shares and capital subscriptions	13.5	10.7	10.7
(S)	Issuance of demand notes to the European Bank for Reconstruction and Development for supplementary subscriptions of shares	8.5	7.1	7.1
(S)	Payment to the Multilateral Investment Guarantee Agency	–	6.8	6.8
(S)	Payment to the Canadian Commercial Bank pursuant to the <i>Canadian Commercial Bank Financial Assistance Act</i>	–	2.0	–
	Total Non-Budgetary	462.0	2,311.0	346.8
	Total Program	1,351.6	3,499.7	1,200.5

¹ Planned Spending is the amount included in the Department's *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

³ Planned Spending: \$51,658; Total Authorities: \$51,597; Actuals: \$51,597. The figures in notes 3, 5 and 6 are in simple dollar amounts.

⁴ Actual spending on domestic coinage was greater than planned because of higher-than-forecast demand for coinage and, in particular, for millennium coins. Costs for domestic coinage are more than offset by revenue earned by the Crown.

⁵ Total Authorities: \$54,178.

⁶ Total Actuals: \$452.

1. Summary of Voted Appropriations (*continued*)

Financial Requirements by Authority (\$ millions)

Vote		2000–01		
		Planned Spending ¹	Total Authorities ²	Actual
	Public Debt Program			
(S)	Interest and Other Costs ³	41,999.6	42,094.0	42,094.0
	Total Program	41,999.6	42,094.0	42,094.0
	Federal-Provincial Transfers Program			
15	Transfer Payments to the Territorial Governments ⁴	1,479.0	1,489.0	1,492.1
(S)	Statutory Subsidies	30.0	30.1	30.1
(S)	Fiscal Equalization	9,522.0	10,951.2	10,951.2
(S)	Canada Health and Social Transfer ⁵	13,500.0	13,500.0	13,500.0
(S)	Payment to the Canada Health and Social Transfer Supplement Trust for Health Care	–	2,500.0	2,500.0
(S)	Payment to a trust to provide funding to provinces for medical diagnostic and treatment equipment under the <i>Canada Health Care, Early Childhood Development and Other Social Services Funding Act</i>	–	1,000.0	1,000.0
(S)	Payment for the purpose of defining standards to ensure compatibility of health information networks under the <i>Canada Health Care, Early Childhood Development and Other Social Services Funding Act</i>	–	500.0	500.0
(S)	Youth Allowances Recovery	(543.0)	(548.6)	(548.6)
(S)	Alternative Payments for Standing Programs	(2,466.0)	(2,459.5)	(2,459.5)
	Total Program	21,522.0	26,962.2	26,965.3
	Total Department	64,873.2	72,555.9	70,259.8

¹ Planned Spending is the amount included in the Department's *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

³ Total Authorities of \$46,448,287,349 presented in Volume II (I) of the Public Accounts have been adjusted for comparative purposes to take into account the provision for valuation and other items. Actuals reported in this table are total departmental actual expenditures minus the provision for valuation and other items. See Table 3.9 in Volume I of the Public Accounts for more details.

⁴ Actuals exceeded Total Authorities in Vote 15 (Transfer Payments to the Territorial Governments) by \$3.1 million as a result of an approved change in the method for calculating Territorial Formula Financing made during March 2001, after tabling of the Supplementary Estimates. (\$3.1 million was recorded as a liability at the end of March 2001; payment will be made in 2001–02.)

⁵ Amounts shown are the cash contribution authorized by Part V of the *Federal-Provincial Fiscal Arrangements Act*. The following figures show the total federal contribution in respect of the Canada Health and Social Transfer (CHST), including the equalized tax point component of the transfer.

Cash Transfer	\$13.5 billion
Plus: CHST Supplement Trust 2000 (2000 budget)	\$2.5 billion
Plus: Medical Equipment Trust (September 11, 2000)	\$1.0 billion
Plus: Equalized Tax Transfer	<u>\$16.0 billion</u>
Total Cash and Tax Transfer (including Trusts)	\$33.0 billion

2. Comparison of Total Planned Spending to Actual Spending

By Business Line (\$ millions)

Business Lines	Full-Time Equivalents (FTEs)	Operating ¹	Capital	Grants, Contributions & Other Transfer Payments	Statutory Payments (Budgetary)	Loans, Investments & Advances (Non- budgetary)	Total Gross Expenditures	Less Responsible Revenues*	Total Net Expenditures
Policies and Advice	501	65.2	–	–	–	–	65.2	0.6	64.6
<i>Total Authorities</i>	<i>561</i>	<i>54.6</i>	–	–	–	–	<i>54.6</i>	<i>0.3</i>	<i>54.3</i>
Actuals	504	51.9	0.9	–	–	–	52.8	0.3	52.5
Int'l Financial Organizations				330.0	413.9	462.0	1,205.9		1,205.9
<i>Total Authorities</i>				<i>345.0</i>	<i>556.7</i>	<i>708.2</i>	<i>1,609.9</i>		<i>1,609.9</i>
Actuals				194.4	445.2	346.8	986.4		986.4
Domestic Coinage²					48.0		48.0		48.0
<i>Total Authorities</i>					<i>110.1</i>		<i>110.1</i>		<i>110.1</i>
Actuals					110.1		110.1		110.1
Corporate Administration	246	39.6	–	–	–	–	39.6	6.5	33.1
<i>Total Authorities</i>	<i>251</i>	<i>44.3</i>	–	–	<i>17.7</i>	–	<i>62.0</i>	<i>8.0</i>	<i>54.0</i>
Actuals	261	35.6	6.3	–	17.6	–	59.5	8.0	51.5
Special Projects				–	–	–	–	–	–
<i>Total Authorities³</i>					<i>68.6</i>	<i>1,602.8</i>	<i>1,671.4</i>		<i>1,671.4</i>
Actuals					–	–	–	–	–
Interest and Other Costs⁴				–	41,835.0	–	41,835.0	–	41,835.0
<i>Total Authorities</i>					<i>41,957.0</i>	–	<i>41,957.0</i>	–	<i>41,957.0</i>
Actuals					41,957.0	–	41,957.0	–	41,957.0
Canada Investment & Savings				–	164.6	–	164.6	–	164.6
<i>Total Authorities</i>					<i>137.0</i>	–	<i>137.0</i>	–	<i>137.0</i>
Actuals					137.0	–	137.0	–	137.0
Federal-Provincial Transfer Payments (Cash Portion)				1,479.0	20,043.0	–	21,522.0	–	21,522.0
<i>Total Authorities</i>				<i>1,489.0</i>	<i>25,473.2</i>	–	<i>26,962.2</i>	–	<i>26,962.2</i>
Actuals				1,492.1	25,473.2	–	26,965.3	–	26,965.3
Total	747	104.8	–	1,809.0	62,504.5	462.0	64,880.3	7.1	64,873.2
<i>Total Authorities</i>	<i>812</i>	<i>98.9</i>	–	<i>1,834.0</i>	<i>68,320.3</i>	<i>2,311.0</i>	<i>72,564.2</i>	<i>8.3</i>	<i>72,555.9</i>
Actuals	765	87.5	7.2	1,686.5	68,140.1	346.8	70,268.1	8.3	70,259.8
Other Rev. & Expenditures Non-Responsible Revenues**									(129.9)
<i>Total Authorities</i>									–
Actuals⁵									(6,222.8)
Cost of Services Provided by Other Departments									9.4
<i>Total Authorities</i>									–
Actuals									10.4
Net Cost of the Program									64,752.7
<i>Total Authorities</i>									<i>72,555.9</i>
Actuals									64,047.4

Note: Numbers in regular font denote planned expenditures/revenues for 2000–01 at the beginning of the year.

Numbers in *italics* denote total authorities for 2000–01 (Main and Supplementary Estimates and other authorities).

Numbers in **bold** denote actual expenditures/revenues in 2000–01.

* Formerly "Revenues Credited to the Vote."

** Formerly "Revenues Credited to the General Government Revenues (GGR)."

¹ "Operating" includes contributions to employee benefit plans and the Minister's salary and car allowance.

² Actual spending on domestic coinage was greater than planned because of higher-than-forecast demand for coinage and, in particular, for millennium coins. Costs for domestic coinage are more than offset by revenue earned by the Crown.

³ Total Authorities consist of \$1,600.8 million for subscriptions to shares of Petro-Canada Limited, \$68.6 million for payments to depositors pursuant to the *Financial Institutions Depositors Compensation Act*, and \$2.0 million for payments to the Canadian Commercial Bank.

⁴ Total Authorities of \$46,448,287,349 presented in Volume II (I) of the Public Accounts have been adjusted for comparative purposes to take into account the provision for valuation and other items. Actuals reported in this table are total departmental actual expenditures minus the provision for valuation and other items. See Table 3.9 in Volume I of the Public Accounts for more details.

⁵ Revenues consist of profits from the Bank of Canada, Exchange Fund and the IMF, as well as interest on short-term deposits, proceeds from sales of domestic coinage and other related revenue items.

3. Historical Comparison of Total Planned Spending to Actual Spending

By Business Line (\$ millions)

Business Lines	Actual 1998–99	Actual 1999–2000	2000–01		Actual
			Planned Spending ¹	Total Authorities ²	
Policies and Advice	47.0	46.8	64.6	54.3	52.5
International Financial Organizations	1,485.8	1,093.0	1,205.9	1,609.9	986.4
Domestic Coinage	59.7	105.9	48.0	110.1	110.1³
Corporate Administration	28.5	33.6	33.1	36.3 ⁴	33.9⁵
Special Projects	2,565.8	0.0	0.0	1,671.4	0.0
Interest and Other Costs ⁶	44,694.3	41,506.1	41,835.0	41,957.0	41,957.0
Canada Investment and Savings	137.4	140.9	164.6	137.0	137.0
Federal-Provincial Transfer Payments (Cash Portion)	22,271.7	24,264.0	21,522.0	26,962.2	26,965.3
Total	71,290.1	67,190.3	64,873.2	72,538.2	70,242.2

Note: Due to rounding, figures may not add to totals shown.

¹ Planned Spending is the amount included in the Department's *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

³ Actual spending on domestic coinage was greater than planned because of higher-than-forecast demand for coinage and, in particular, for millennium coins. Costs for domestic coinage are more than offset by revenue earned by the Crown.

⁴ To allow for ease of historical comparison, total authorities exclude an amount of \$17.7 million for statutory items, primarily for refunds of amounts credited to revenues in previous years. Such statutory items were excluded from prior year calculations.

⁵ So that historical comparison is easier, actual Corporate Administration expenditures exclude an amount of \$17.6 million for statutory items, primarily for refunds of amounts credited to revenues in previous years. Such statutory items were excluded from prior year calculations.

⁶ Total Authorities of \$46,448,287,349 presented in Volume II (I) of the Public Accounts have been adjusted for comparative purposes to take into account the provision for valuation and other items. Actuals reported in this table are total departmental actual expenditures minus the provision for valuation and other items. See Table 3.9 in Volume I of the Public Accounts for more details.

4. Revenues

By Business Line (\$ millions)

	Actual 1998–99	Actual 1999–2000	2000–01		Actual
			Planned Revenues ¹	Total Authorities ²	
Respendable Revenues *					
Business Lines					
Corporate Administration	5.7	5.8	6.5	8.0	8.0
Policies and Advice	0.6	0.4	0.6	0.3	0.3
Total Respendable Revenues	6.3	6.2	7.1	8.3	8.3
Non-Respendable Revenues **					
Programs³					
Economic, Social and Financial Policies Program ⁴	4,169.0	4,737.4	129.9	–	6,216.6
Public Debt Program	5.0	4.6	–	–	6.2
Total Non-Respendable Revenues	4,174.0	4,742.0	129.9	–	6,222.8
Total Revenues	4,180.3	4,748.2	137.0	8.3	6,231.1

* Formerly “Revenues Credited to the Vote.”

** Formerly “Revenues Credited to the General Government Revenues (GGR).”

¹ Planned Spending is the amount included in the Department’s *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

³ Non-respendable revenues are identified by program rather than by business line since most of these revenues are not attributable to specific business lines.

⁴ These figures include proceeds from the sale of domestic coinage and the net gain on exchange.

5. Statutory Payments By Business Line (\$ millions)

Business Lines	Actual 1998–99	Actual 1999–2000	2000–01		Actual
			Planned Spending ¹	Total Authorities ²	
Budgetary					
Policies and Advice ³	6.5	7.3	5.9	6.3	6.3
International Financial Organizations	365.8	349.4	413.9	556.7	445.2
Domestic Coinage ⁴	59.7	105.9	48.0	110.1	110.1
Corporate Administration ⁵	2.7	2.7	2.4	3.0 ⁶	3.0⁷
Special Projects	2,554.2	0.0	–	68.6	0.0
Interest and Other Costs ⁸	44,694.3	41,506.1	41,835.0	41,957.0	41,957.0
Canada Investment and Savings	137.4	140.9	164.6	137.0	137.0
Federal-Provincial Transfer Payments (Cash Portion)	20,906.9	22,862.3	20,043.0	25,473.2	25,473.2
Total Budgetary	68,727.5	64,974.6	62,512.8	68,311.9	68,131.8
Non-Budgetary					
International Financial Organizations	656.2	133.8	462.0	505.9	144.5
Special Projects	–	–	–	1,602.8	–
Total Non-Budgetary	656.2	133.8	462.0	2,108.7	144.5
Total Statutory Payments	69,383.7	65,108.4	62,974.8	70,420.6	68,276.3

¹ Planned Spending is the amount included in the Department's *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

³ Statutory payments are for contributions to Employee Benefit Plans.

⁴ Actual spending on domestic coinage was greater than planned because of higher-than-forecast demand for coinage and, in particular, for millennium coins. Costs for domestic coinage are more than offset by revenue earned by the Crown.

⁵ Statutory payments include contributions to Employee Benefit Plans and the Minister's salary and car allowance.

⁶ To make historical comparison easier, total authorities exclude an amount of \$17.7 million for statutory items, primarily for refunds of amounts credited to revenues in previous years. Such statutory items were excluded from prior year calculations.

⁷ To make historical comparison easier, actual Corporate Administration expenditures exclude an amount of \$17.6 million for statutory items, primarily for refunds of amounts credited to revenues in previous years. Such statutory items were excluded from prior year calculations.

⁸ Total Authorities of \$46,448,287,349 presented in Volume II (I) of the Public Accounts have been adjusted for comparative purposes to take into account the provision for valuation and other items. Actuals reported in this table are total departmental actual expenditures minus the provision for valuation and other items. See Table 3.9 in Volume I of the Public Accounts for more details.

6. Transfer Payments

By Business Line (\$ millions)

Business Lines	Actual 1998–99	Actual 1999–2000	2000–01		Actual
			Planned Spending ¹	Total Authorities ²	
GRANTS					
International Financial Organizations	268.6	228.5	160.0	170.0	19.8
Federal-Provincial Transfer Payments (Cash Portion)	40.0	–	–	–	–
Total Grants	308.6	228.5	160.0	170.0	19.8
CONTRIBUTIONS					
International Financial Organizations	–	171.2	170.0	175.0	174.6
Total Contributions	–	171.2	170.0	175.0	174.6
OTHER TRANSFER PAYMENTS					
International Financial Organizations	365.8	350.0	413.9	556.7	445.2
Special Projects	2,500.0	–	–	–	–
Federal-Provincial Transfer Payments (Cash Portion)	22,231.7	24,264.0	21,522.0	26,962.2	26,965.3
Total Other Transfer Payments	25,097.5	24,614.0	21,935.9	27,518.9	27,410.5
Total Transfer Payments³	25,406.1	25,013.7	22,265.9	27,863.9	27,604.8

Note: Due to rounding, figures may not add to totals shown.

¹ Planned Spending is the amount included in the Department's *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

³ In Table 2, Transfer Payments are split between column 4 (Grants, Contributions & Other Transfer Payments) and column 5 (Statutory Payments).

7. Loans, Investments and Advances

By Business Line (\$ millions)

Business Lines	Actual 1998–99	Actual 1999–2000	2000–01		Actual
			Planned Spending ¹	Total Authorities ²	
International Financial Organizations	195.2	209.6	462.0	708.2	346.8
Special Projects	11.7	–	–	1,602.8	–
Total	206.9	209.6	462.0	2,311.0	346.8

8. Contingent Liabilities

(\$ millions)

List of Contingent Liabilities	Amount of Contingent Liability		
	March 31, 1999	March 31, 2000	Current As of March 31, 2001
Loans	8,993.3	8,670.3	9,262.5
Claims, Pending and Threatened Litigation	137.0	164.0	164.0
Total	9,130.3	8,834.3	9,426.5

¹ Planned Spending is the amount included in the Department's *Report on Plans and Priorities* for 2000–01 and indicates amounts planned at the beginning of the year.

² Total Authorities are Main Estimates plus Supplementary Estimates and other authorities.

Annex D: Crosswalk – Planned Results

Planned Results in the 2000–01 *Report on Plans and Priorities* (RPP) compared to those in the Chart of Strategic Outcomes (pages 8-10) of the 2000–01 *Departmental Performance Report* (DPR).

Strategic Outcome	2000–01 RPP Planned Results	RPP Page	2000–01 DPR Planned Results
Fiscal Sustainability	– a budget that is balanced or better	17	– improved fiscal situation
	– a balanced budget that will maintain the debt-to-GDP ratio on a downward path	18	
	– extended period of budgets that are balanced, or better, and declining debt burden to restore further the government’s fiscal credibility	18	
	– a reduced debt burden over the medium-term without higher taxation	18	
	– a reduced debt burden to minimize potential intergenerational unfairness	18	
	– a tax system that adapts to changing fiscal, economic and social realities	19	– a tax system that responds to changing fiscal, economic and social realities
	– lower overall tax burden	19	
	– increased disposable income	19	
	– increased support for families with children	19	
	– possible need for investments in other priority areas	19	
	– improve the overall fairness and neutrality of the tax system	20	
	– reduce the variation in effective tax rates for different sectors	20	
	– contribute to enhanced economic growth	20	
	– help provide a stable revenue base	20	
	– maintenance of the existing revenue base	21	
	– effective implementation of changes to the income tax law	21	
	– a business tax system that is more competitive internationally	21	

Strategic Outcome	2000–01 RPP Planned Results	RPP Page	2000–01 DPR Planned Results
	– a lower tax burden for corporations facing the highest income tax rate	21	
	– enhanced investment and corporate activity	21	
	– help make the Canadian tax system more efficient by filling the gap created by the <i>Indian Act</i> exemption	32	
	– an improved and expanded tax treaty network	22	– maintaining and expanding Canada’s tax treaty network
	– provinces have more flexibility to meet their objectives	33	– improved federal administration of provincial taxes
	– both provinces and the federal government have a set of guidelines that are clear and objective	33	
	– the common tax base is preserved	33	
	– supply coinage at a reasonable cost to meet the needs of the economy	37	– coinage supply meets the needs of the economy and at a reasonable cost
	– accurate, appropriate and timely payment of domestic coinage production and distribution costs	38	
	– a new coin contract with the Royal Canadian Mint containing terms and business arrangements that are more economical	38	
	– debt charges not to exceed those projected in the budget, including the contingency reserve	43	– enhanced efficiency and effectiveness of the federal government’s borrowing program
	– a refinancing schedule that is moderate	43	
	– successful auctions and active trading of Government of Canada securities	43	
	– lower costs	43	
	– broad distribution of federal market debt	43	
	– adequate levels of reserves and cash balances to meet operational and liquidity needs	44	
	– successful foreign financing operations	44	
	– effective risk-management processes	45	– effective financial risk-management processes

Strategic Outcome	2000–01 RPP Planned Results	RPP Page	2000–01 DPR Planned Results
	<ul style="list-style-type: none"> <li data-bbox="451 296 889 478">– launch and advertise a pilot service allowing individual Canadians to purchase Treasury bills and marketable bonds directly from the Government of Canada at the time of the auctions <li data-bbox="451 495 889 590">– continue conversion of payroll companies and introduce the Canada Premium Bond as an option <li data-bbox="451 606 889 667">– continue the six-month sales pilot project <li data-bbox="451 684 889 779">– conduct research and feasibility studies to introduce new distribution channels <li data-bbox="451 795 889 856">– further expand the “New Canada Savings Bonds” brand <li data-bbox="451 873 889 968">– pursue the reorganization and restructuring of the Canada Investment and Savings sales force <li data-bbox="451 984 889 1100">– identification of potential new retail debt products or services, or new features for existing products or services <li data-bbox="451 1117 889 1211">– establishment of an updated memorandum of understanding with the Bank of Canada <li data-bbox="451 1228 889 1381">– development through the Bank of Canada of a Technology Architecture and Implementation Plan in support of the Customer Care Service Vision 	<p>46</p> <p>46</p> <p>46</p> <p>46</p> <p>46</p> <p>46</p> <p>47</p> <p>47</p> <p>47</p>	<ul style="list-style-type: none"> <li data-bbox="1026 296 1393 352">– diversifying the government’s investor base
<p>The Knowledge-based Economy</p>	<ul style="list-style-type: none"> <li data-bbox="451 1404 889 1493">– better incentives for economic growth, investment, work effort and entrepreneurship 	<p>19</p>	<ul style="list-style-type: none"> <li data-bbox="1026 1404 1393 1493">– incentives for economic growth, investment and entrepreneurship
	<ul style="list-style-type: none"> <li data-bbox="451 1509 889 1598">– better incentives for economic growth, entrepreneurship and productivity 	<p>21</p>	
	<ul style="list-style-type: none"> <li data-bbox="451 1614 889 1709">– a competitive and dynamic financial services sector that is also responsive to consumer needs <li data-bbox="451 1726 889 1812">– broader range of entry options for foreign institutions wishing to enter Canada 	<p>29, 30</p> <p>30</p>	<ul style="list-style-type: none"> <li data-bbox="1026 1614 1393 1730">– a competitive and dynamic financial services sector that is responsive to consumer needs

Strategic Outcome	2000–01 RPP Planned Results	RPP Page	2000–01 DPR Planned Results
	– increased competition in the Canadian financial services sector	30	
	– enhance Canada’s contribution to international efforts to detect and deter money-laundering	31	– increased efforts to detect and deter money-laundering, aiding in the international fight against organized crime
	– contribute to the fight against organized crime	31	
Social Advantage for Canada	– all governments to work together to reach an agreement on a national action plan to support early childhood development	23	– improved support for Canadian children
	– a significant increase in benefits to low-income families with children	24	
	– tax relief for families with children and low, modest and middle incomes	24	
	– annual report on the operations of the Canada Pension Plan	24	– a secure and stable Canada Pension Plan
	– a federal-provincial/territorial agreement in 2002–03 on changes, if any, to be made to the CPP	24	
	– amendment of the Canada Pension Plan Investment Board regulations	24	
	– research and consultation with provinces and territories, leading to work plans for major transfers from here to the renewal of the legislation (federal-provincial fiscal arrangements)	25	– improved support for provinces and territories in providing social and other public services
	– timely and accurate payments to provinces consistent with statutory requirements	50	
	– identification of possible adjustments to the Equalization program	50	
	– funding available to provinces in accordance with the <i>Fiscal Arrangements Act</i>	50	
– provide funding to territories in accordance with Territorial Formula Financing Agreements	51		

Strategic Outcome	2000–01 RPP Planned Results	RPP Page	2000–01 DPR Planned Results
	<ul style="list-style-type: none"> <li data-bbox="451 296 883 384">– elaboration of federal policy on financial arrangements to support Aboriginal governance <li data-bbox="451 394 883 483">– new and innovative fiscal transfer models that support effective Aboriginal governments <li data-bbox="451 493 883 581">– facilitate and promote the exercise of taxation powers by First Nations <li data-bbox="451 592 883 701">– help First Nations achieve a greater degree of self-government, self-reliance and accountability to their members 	<p data-bbox="928 296 971 321">32</p> <p data-bbox="928 394 971 420">32</p> <p data-bbox="928 493 971 518">32</p> <p data-bbox="928 581 971 606">32</p>	<ul style="list-style-type: none"> <li data-bbox="1026 296 1338 384">– enhanced support for effective and transparent Aboriginal governments
Global Advantage for Canada	<ul style="list-style-type: none"> <li data-bbox="451 726 883 751">– successful launch of the G–20 <li data-bbox="451 762 883 850">– statement of principles on domestic policy actions to reduce countries’ vulnerability to crises <li data-bbox="451 861 883 995">– set agenda for reform of International Financial Institutions to contribute to international financial stability <li data-bbox="451 1005 883 1094">– successful meetings of the WHFM and G–7 to build on the work of the G–20 <li data-bbox="451 1104 883 1272">– strengthened IMF surveillance through greater emphasis on countries’ financial vulnerabilities, as well as macroeconomic fundamentals <li data-bbox="451 1283 883 1472">– make available to markets through the IMF more information on countries’ economic and financial policies and their implementation of international standards and codes of good practice <li data-bbox="451 1482 883 1549">– improved and streamlined the Fund’s financial facilities 	<p data-bbox="928 726 971 751">26</p> <p data-bbox="928 762 971 787">26</p> <p data-bbox="928 861 971 886">26</p> <p data-bbox="928 1005 971 1031">26</p> <p data-bbox="928 1104 971 1129">26</p> <p data-bbox="928 1283 971 1308">36</p> <p data-bbox="928 1482 971 1507">37</p>	<ul style="list-style-type: none"> <li data-bbox="1026 726 1360 783">– a more secure international financial system
	<ul style="list-style-type: none"> <li data-bbox="451 1577 883 1686">– Canada anticipates net economic gains through increased access to foreign markets for goods and services <li data-bbox="451 1696 883 1785">– have recourse to the dispute settlement mechanisms available to Canada under trade agreements 	<p data-bbox="928 1577 971 1602">26</p> <p data-bbox="928 1696 971 1722">27</p>	<ul style="list-style-type: none"> <li data-bbox="1026 1577 1312 1665">– advance Canada’s international trade and investment interests

Strategic Outcome	2000–01 RPP Planned Results	RPP Page	2000–01 DPR Planned Results
	– implementation of unilateral tariff changes	28	– tariff and trade remedy policies supportive of Canadian competitiveness
	– development of a cost-effective national strategy appropriate for Canada	29	– a cost-effective national strategy on climate change
	– funding identified to allow continuation of the Heavily Indebted Poor Countries (HIPC) Initiative	36	– improved financial stability of poor countries
	– significant number of HIPCs reach their Decision Points in 2000	36	
	– Poverty Reduction Strategy Papers (PRSPs) developed for a significant number of HIPCs	36	
	– improved the World Bank’s ability to advise and assist developing countries in supervising and regulating their financial systems adequately	37	

The Department also pursued objectives at a corporate level. The 2000–01 *Report on Plans and Priorities* made specific mention of some of these planned results, namely

- ❑ enhanced ability of departmental officials to explain policy to the public and the media
- ❑ enhanced ability to monitor and understand public environment
- ❑ departmental software systems and interfaces with Public Works and Government Services Canada are compliant with Financial Information Strategy (FIS) requirements
- ❑ departmental policies are FIS-compliant and the FIS rollout within the Department is completed
- ❑ improved departmental management and support systems
- ❑ timely, accurate and results-based reporting
- ❑ the Department attracts, develops and retains a highly skilled workforce
- ❑ a fair and representative workplace in which people can work in the official language of their choice

Annex E: Departmental Organization

Departmental Organization

The Department of Finance operates under sections 14–16 of the *Financial Administration Act*, which provides the Minister with broad responsibility for “the management of the Consolidated Revenue Fund and the supervision, control and direction of all matters relating to the financial affairs of Canada not by law assigned to the Treasury Board or to any other Minister.”

A. Departmental Structure and Lines of Business

Six policy branches supported by Consultations and Communications Branch, Law Branch and Corporate Services Branch deliver three programs: Economic, Social and Financial Policies Program; Public Debt Program; and Federal-Provincial Transfers Program.

Business line objectives are presented below for the three departmental programs.

Economic, Social and Financial Policies Program

● **Policies and Advice Business Line**

Objective: Appropriate policies and sound advice with respect to economic, social and financial conditions and the government’s agenda.

● **International Financial Organizations Business Line**

Objective: Responsible administration of international financial obligations and subscriptions.

● **Domestic Coinage Business Line**

Objective: Payment of the production and distribution costs for domestic circulating coinage.

● **Corporate Administration Business Line**

Objective: Effective and efficient corporate administration.

Public Debt Program

● Interest and Other Costs Business Line

Objective: The funding of interest and of service costs of the public debt and of the issuing costs of wholesale debt, as necessary; the provision of stable, low cost funding for the government; and the maintenance of a well-functioning market in Government of Canada securities.

● Canada Investment and Savings Business Line

Objective: The provision of funding for the government consistent with its fiscal plan, and balancing cost, risk and market considerations; maintenance of a reasonable and sustainable retail share of the total federal debt, thereby ensuring a broad investor base for government debt; and the offer of attractive products that benefit all Canadians.

Federal-Provincial Transfers Program

● Transfer Payments Business Line

Objective: Transfer payments pursuant to statutes with respect to the Canada Health and Social Transfer (CHST), Equalization and other transfers, and pursuant to agreements with respect to Territorial Formula Financing.

The organizational structure displayed on page 58 of this report shows the positions responsible for each business line.

B. Departmental Employees

The Department of Finance has a strong culture of professionalism and excellence. We are a knowledge organization, a policy department and a central agency. We have extremely competent and exceptionally committed employees who have joined the Department because they believe that public service is important and that they can make a real contribution to their country.

The Department's on-going Human Resource Plan was launched in September 2000, with the objective of making the Department the workplace of choice in the federal Public Service. Members of the Executive Committee serve as champions to provide leadership and strategic direction for Plan initiatives on the following fronts:

- performance management and employee review
- career development strategy
- professional learning and networking

- supportive working environment
- awards and recognition
- recruitment
- official languages
- physical work environment and technological tools
- employment equity and respect in the workplace

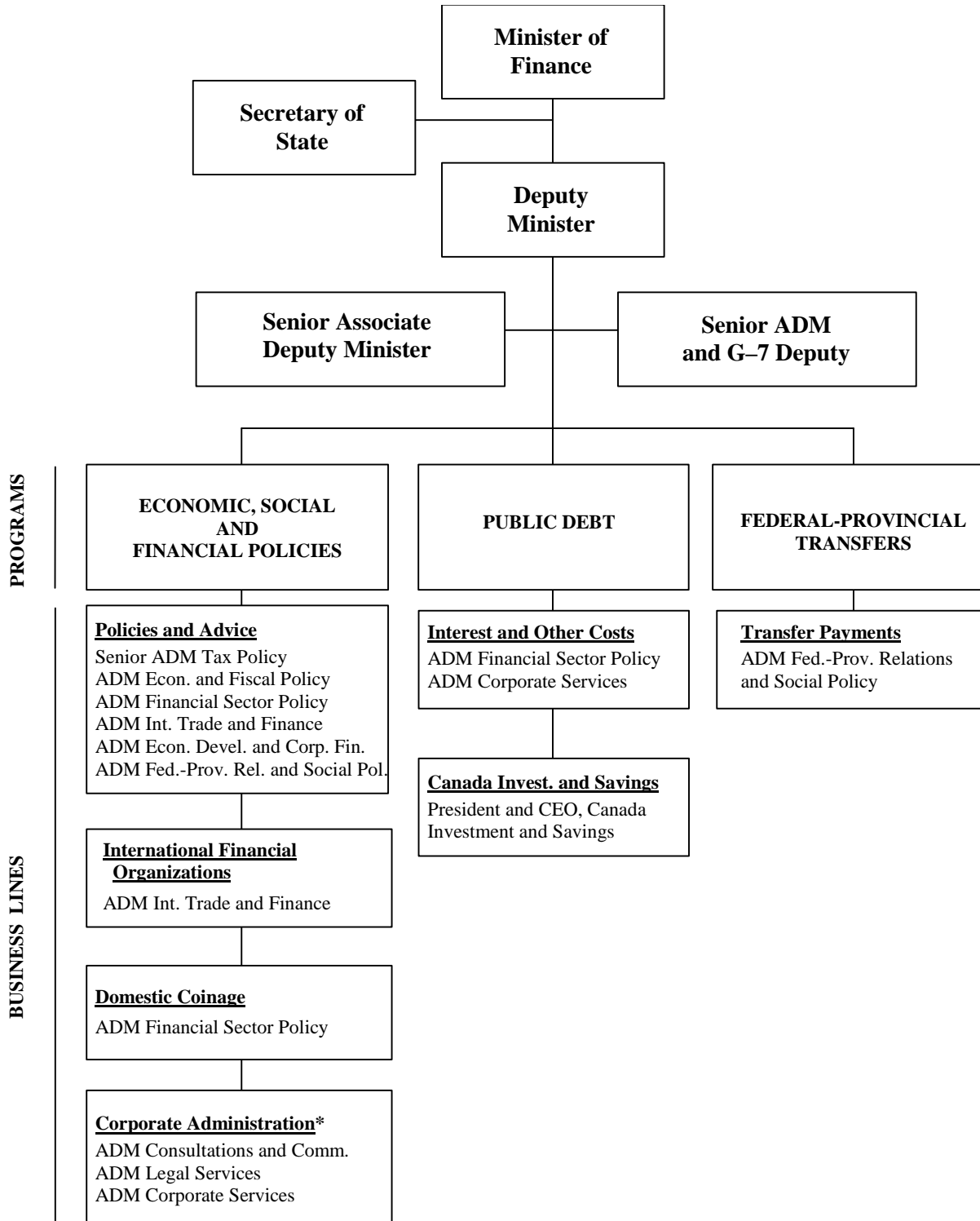
To take stock of the Plan-related achievements, a Town Hall meeting is being hosted annually by the Deputy Minister and the Executive Committee; the first of these annual events took place on May 29, 2001. This forum presents a significant opportunity for the Deputy Minister and the Executive Committee champions to be accountable for what was accomplished during the year and for employees to provide feedback.

Our workforce totals 951 employees.¹ Of this total, economists represent 33 per cent and managers 14 per cent. Among our population:

- the average age is 41
- 61 per cent have the capability of speaking both English and French
- 49 per cent are women
- 38 per cent have French as their mother tongue
- 6 per cent have identified themselves as belonging to a visible minority

¹ The Department of Finance is in a unique position: the staff of its Corporate Services Branch are Finance employees, but they provide services as well to the Treasury Board of Canada Secretariat. As a result, in some instances the Department will report the resources of the Corporate Services Branch on a pro rata basis. This will be the case, for example, when conveying financial information such as that contained in the financial tables presented in Annex C of this report. For the purpose of presenting a demographic profile of the Department of Finance, however, all Corporate Services Branch employees are included.

Program, Business Line and Organization Chart



* This business line also includes departmental management.

Annex F: Other Information

Contacts for Further Information and Web Sites

Home Page: www.fin.gc.ca

E-mail messages for:

The Minister of Finance, the Honourable Paul Martin, P.C., M.P.: pmartin@fin.gc.ca

The Secretary of State (International Financial Institutions),
The Honourable Jim Peterson, P.C., M.P.: jpeterson@fin.gc.ca

Comments or questions regarding the information on the
Department of Finance Canada Web site:

Consultations and Communications Branch
Department of Finance Canada
140 O'Connor Street, Ottawa, Ontario, Canada
K1A 0G5

Telephone: (613) 992-1573
constcomm@fin.gc.ca

Printed copies of Department of Finance publications:

Distribution Centre
Department of Finance Canada
140 O'Connor Street, Ottawa, Ontario, Canada
K1A 0G5

Telephone: (613) 995-2855
Fax: (613) 996-0518

Legislation Relevant to the Department of Finance Canada

<i>Air Canada Public Participation Act</i>	(R.S. 1985, c. 35, 4 th Suppl.)
<i>Bank Act</i>	(1991, c. 46, unofficial B-1.01)
<i>Bank of Canada Act</i>	(R.S.C. 1985, c. B 2)
<i>Bills of Exchange Act</i> (with the exception of Part IV)	(R.S.C. 1985, c. B-4)
<i>Bretton Woods and Related Agreements Act</i>	(R.S.C. 1985, c. B-7)
<i>Canada Deposit Insurance Corporation Act</i>	(R.S.C. 1985, c. C-3)
<i>Canada Development Corporation Reorganization Act</i>	(1985, c. 49)
<i>Canada-Newfoundland Atlantic Accord Implementation Act</i>	(S.C. 1987, c. 3)
<i>Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act, Parts IV and V</i>	(1988, c. 28)
<i>Canada Pension Plan Act</i> (ss. 109 to 113 and 115)	(R.S.C. 1985, c. C-8)
<i>Canada Pension Plan Investment Board Act</i>	(S.C. 1997, c. 40)
<i>Canada-U.S. Free Trade Agreement Implementation Act, Part II</i>	(S.C. 1988, c. 65)
<i>Canadian International Trade Tribunal Act</i>	[R.S.C. 1985, c. 47 (4 th Suppl., unofficial C-18.3)]
<i>Canadian Payments Association Act</i>	(R.S.C. 1985, c. C-21)
<i>Cooperative Credit Association Act</i>	(R.S.C. 1991, c. 48, unofficial C-41.01)
<i>Currency Act</i>	(R.S.C. 1985, c. C-52)
<i>Customs and Excise Offshore Application Act</i>	(R.S.C. 1985, c. C-53)
<i>Customs Tariff</i>	(R.S.C. 1985, c. C-54)
<i>Debt Servicing and Reduction Account Act</i>	(1992, c. 18, unofficial D-0.5)
<i>Diplomatic Service (Special) Superannuation Act</i>	(R.S.C. 1985, c. D-2)
<i>European Bank for Reconstruction and Development Agreement Act</i>	(1991, c. 12, unofficial E-13.5)
<i>Excise Act</i>	(R.S.C. 1985, c. E-14)
<i>Excise Tax Act</i>	(R.S.C. 1985, c. E-15)
<i>Federal-Provincial Fiscal Arrangements Act</i>	(R.S.C. 1985, c. F-8)

Legislation Relevant to the Department of Finance Canada (continued)

<i>Federal-Provincial Fiscal Revisions Act, 1964–65</i>	(1964–65, c. 26)
<i>Financial Administration Act</i> (shared with the President of the Treasury Board)	(R.S.C. 1985, c. F-11)
<i>Financial Consumer Agency of Canada Act</i>	(2001, c.9)
<i>Garnishment, Attachment and Pension Diversion Act</i> (as it relates to MPs' pensions)	(R.S.C. 1985, c. G-2)
<i>Halifax Relief Commission Pension Continuation Act</i>	(S.C. 1974–75–76, c. 88)
<i>Income Tax Act</i>	[R.S.C. 1985, c. 1 (5 th Supp.)]
<i>Income Tax Conventions Interpretation Act</i>	(R.S.C. 1985, c. I-4)
<i>Insurance Companies Act</i>	(1991, c. 47, unofficial I-11.8)
<i>Interest Act</i>	(R.S.C. 1985, c. I-15)
<i>Newfoundland Additional Financial Assistance Act</i>	(R.S.C. 1985, c. N-23)
<i>Office of the Superintendent of Financial Institutions Act</i>	[R.S.C. 1985, c. 18 (3 rd Supp.), Part I, unofficial F-11.3 (Part I)]
<i>Oil Export Tax Act</i>	(S.C. 1973–74, c. 53)
<i>Payment, Clearing and Settlement Act</i>	(S.C. 1996, c. 6)
<i>Pension Benefits Standards Act</i>	(R.S.C. 1985, c. P-7)
<i>Petro-Canada Limited Act</i>	(R.S. 1985, c. P-11)
<i>Prince Edward Island Subsidy Act, 1912</i>	(S.C. 1912, c. 42; 1926–27, c. 76)
<i>Proceeds of Crime (Money Laundering) Act</i>	(S.C. 2000, c. 17)
<i>Special Import Measures Act</i>	(R.S.C. 1985, c. S-15)
<i>Supplementary Fiscal Equalization Payments 1982–87 Act</i>	(S.C. 1985, c. 29)
<i>Trust and Loan Companies Act</i>	(1991, c. 45, unofficial T-19.8)
<i>Winding-up and Restructuring Act</i>	(R.S. 1985, c. W-11)

List of Statutory Annual Reports and Other Departmental Reports

Annual Financial Report of the Government of Canada
and Fiscal Reference Tables

Canadian Federal Budget

Debt Management Strategy

Debt Management Report

Economic and Fiscal Update

Economy in Brief – Quarterly

Fiscal Monitor – Monthly

Government of Canada Securities – Quarterly

Government of Canada Tax Expenditures

Report on Operations under the *Bretton Woods and Related Agreements Act*

Report on Operations under the *European Bank for Reconstruction and Development
Agreement Act*

These reports can be accessed via the Department's Web site: <http://www.fin.gc.ca/fin-eng.html>.